

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

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P 020230Z JAN 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 5827

C O N F I D E N T I A L TOKYO 0006

PASS TREASURY FOR E. GORDON

E.O. 11652 GDS

TAGS: EAID, EFIN' IFC, JA

SUBJECT: IFC CAPITAL EXPANSION: MOF VIEWS

REF: A. STATE 299005, B. TOKYO 17699

1. SUMMARY: FINATT AGAIN DISCUSSED SUBJECT WITH MOF MOF DIR (KAYA), OVERSEAS INVESTMENT DIV, ON BASIS OF HELPFUL INFORMATION CONTAINED REF A. DESPITE REPEATED FINATT ATTEMPTS, KAYA WOULD NOT GIVE FIRM COMMITMENT THAT MOF WOULD BE PREAPRED TO ACCEPT WITHOUT RESERVATION AT JAN MEETING RESOLUTION MENTIONED IN PARA 2, REF A, NEVERTHELESS, HE REAFFIRMED MOF'S DESIRE TO BE HELPFUL AND RECOGNIZED U.S. INTENTION FOR EARLY 1976 INTRODUCTION OF AUTHORIZATION LEGISLATION FOR IFC CAPITAL INCREASE. FINATT BELEIVES MOF MAY GO ALONG WITH A RESOLUTION STRONGLY SUPPORTED BY OTHER PARTICIPANTS. END SUMMARY.

2. TIME-CONSUMING BUDGET-MAKING PROCEDURES AT MOF PREVENTED FINATT FROM DISCUSSING SUBJECT WITH KAYA UNTIL DEC 24. MOF VERY MUCH APPRECIATED EXTENSIVE BRIEFING ON U.S. LEGISLATIVE STATUS ON AUTHORIZATION IDB, ADB, ADF, AS WELL AS BUDGET PLANS FOR FY 1977.

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3. FINATT REVIEWED AND KAYA APPRECIATED U.S. INTEREST IN DECISIONS AT JAN MEETING REGARDING IFC CAPITAL EXPANSION SO AS TO MEET U.S. LEGISLATIVE TIMETABLE. NEVERTHELESS, HE WOULD NOT INDICATE WHETHER OR NOT MOF WOULD BE ABLE TO ACCEPT WITHOUT RESERVATIONS AT JAN MEETING RESOLUTION ON IFC CAPITAL EXPANSION. HIS EXCUSE WAS THAT MOF NEEDED A FULLER EXPLANATION FROM IFC MANAGEMENT ON THE REASONS BEHIND ADOPTING A HIGHER REAL GROWTH RATE FOR FUTURE IFC LENDING ACTIVITIES. ONLY AFTER MOF WAS FULLY SATISFIED THAT A HIGHER GROWTH RATE WAS ACCEPTABLE AND NECESSARY WOULD IT BE ABLE TO DECIDE ON EXTENT OF JAPAN'S PARTICIPATION IN IFC CAPITAL EXPANSION.

4. RE STOCK DIVIDEND: FINATT DREW ON PARA 4., REF A, SAYING THAT U.S. UNAWARE THAT ANY OTHER COUNTRY HAD OBJECTION OR PROBLEMS, THAT IT IS IN U.S. INTEREST TO HAVE CAPITALIZATION OF RESERVES NOW RATHER THAN LATER, THAT U.S. COULD NOT SUPPORT DELAY IN STOCK DIVIDEND BUT THAT TREASURY WOULD TRY TO BE HELPFUL ON PROCEDURAL CHANGES THAT WOULD ASSIST JAPAN IN ACCOMMODATING ITS LEGAL PROCESSES. KAYA NOW REALIZES THERE IS PROBABLY LITTLE SUPPORT FOR DEFERRING STOCK DIVIDEND.

5. COMMENT: FINATT BELIEVES MOF FOOT DRAGGING ON SUBJECT DESPITE SMALL SIZE OF GOJ CONTRIBUTION IS DUE TO GENERAL DISTASTE BY MOF DIR-GEN FUJIOKA TO "SWALLOW" AMERICAN PROPOSALS, ESPECIALLY THOSE INVOLVING AID. WHILE MOF PROBABLY UNWILLING TO BE ISOLATED IF THERE IS STRONG CONSENSUS BY OTHER MAJOR STOCKHOLDERS TO ADOPT IFC MANAGEMENT PROPOSAL, THE PROBLEM AT JAN MEETING WILL BE TO OBTAIN GOJ ACCEPTANCE WITHOUT RESERVATION OR DELAYS.
HODGSON

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